kijiji AUTOS

DRIVING CHANGE

Navigating the journey to the 'New Norm' of car shopping in Canada.

2019 RESEARCH REPORT

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Introduction.

Our goal.

At Kijiji Autos, we understand that automotive retail is undergoing a period of rapid change. That's why we're focused on developing solutions to help simplify the car buying process while investing in industry research to help fuel the next era of car shopping.

Ultimately, the goal of this report is to help highlight trends, close any gaps between buyers and sellers along the path to purchase and inspire the automotive retail industry to build the dealerships Canadians want and need.

To help us identify the latest trends, we partnered with BrandSpark International, a leading brand and shopper insights research company. BrandSpark conducted two surveys across Canada, asking both automotive retailers and consumers to weigh in on the year's marketing trends, perceptions and practices.

From there, we were able to compare responses between the two groups and pinpoint where opinions align, where they diverge and—most importantly—where there are opportunities to strengthen connections.

Our findings.

The way Canadians purchase vehicles continues to evolve rapidly. Having conducted this study for three consecutive years, our key finding for 2019 is that consumers are more knowledgeable than ever, before entering the dealership. These highly informed buyers tend to visit fewer dealerships, value information quality over vehicle variety and have little interest in price negotiations. They're also increasingly open to the idea of buying a car entirely online.

Despite these changing needs, the test drive is still a critical and highly valued part of the purchase process, making it a key area of focus for dealerships. To stay competitive, dealerships must deliver a welcoming, hospitable atmosphere, supported by product experts offering total price transparency. Those that do will have a significant advantage in navigating the ever-evolving road ahead.

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CHANGING BEHAVIOURS

The rise of the empowered consumer.

Today's car-buyers are doing their research. Seven weeks of it, to be exact. That's how long the average Canadian spent browsing vehicle types, reading reviews and comparing pricing in 2019.

While more information is always a good thing, this newfound knowledge has led to a fundamental shift in the customer-dealer relationship. Today's car-buyers aren't interested in traditional sales tactics. They often know which car they want and what it should cost. What is increasingly valuable to them, however, are dealers that can make their buying experience as easy and pleasant as possible.

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Consumers already know what they want—and what they're willing to pay—before they step foot in the dealership.

REGIONAL INSIGHT

Consumers in western canada were more likely to indicate the dealership staff were highly sales-driven, leading them to haggle more due to aggressive product and service upselling.

40%

of recent buyers only visited one dealership.

(+6% vs. 2017)

29%

of consumers value the ability to negotiate price at the dealership.

(-8% vs. 2017)

39%

of consumers would consider purchasing directly online.

(+12% vs. 2017)

WHAT THE NUMBERS ARE SAYING

Pricing is still king.

Regardless of where new technologies take us, price still matters most, and this can't be forgotten. With national savings rates continuing to hover at all-time lows, it's clear many Canadians are on a tight budget. And they're looking for every opportunity to reduce their expenses.

This mindset is affecting the buying process in a couple of key ways. More and more buyers are willing to travel even further to save money on their car purchase (70km to save $500 on average, a 15% increase from last year). They're also showing an increased interest in seeking out 0% financing and have indicated that Total Price is very influential when selecting a dealership.

The average Canadian will drive 70km to save $500.

It's not all about mobile (yet).

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Almost half of younger consumers don't use their mobile device as part of the buying process.

2019 has marked a tipping point where, for the first time, the majority (53%) of 18-34-year-old consumers use their mobile device as part of their purchase or lease process. 35-54-year-olds are not far behind, with 40% of them having done so—a 5% increase vs. the previous year. This percentage is only expected to increase in the years ahead.

Despite these trends, it's worth noting that almost half of younger consumers don't use their mobile device as part of the buying process. If dealerships are investing as if all of them are, they may not see the ROI they're expecting. These competing priorities require a balancing act—investing in and serving those using the "new" way, while still appealing to those who have yet to change.

The bottom line.

Top takeaways for dealers:

1. Offer transparent pricing with no haggling whenever possible. An increasingly limited number of consumers value negotiating at the dealership.

2. When offering 0% financing, ensure it's the primary messaging in all of your advertising.

3. Do an SEO (Search Engine Optimization) audit of your website to help ensure consumers can find your dealership online. Featuring quality VDP vehicle descriptions, using keywords that are relevant to consumers and optimizing site meta tags are all good places to start.

4. Ensure your online properties are fully optimized and user-friendly across all devices, including mobile.

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THE NEW COMPETITIVE ADVANTAGE

Are dealerships embracing the 'new norm' in car shopping?

Dealers are continually being challenged in new ways to maintain their bottom line, and optimism of the industry seems to be declining. While the majority of dealers (53%) believe their business will be better off next year, there has been a significant decline in industry optimism amongst dealerships (-10%) from the year before.

This outlook is largely driven by economic concerns in the West, where dealers had previously been far more optimistic than the rest of their Canadian counterparts. However, there's also growing concern around the increase in consumers who are better armed with more information and the impact that it could have on dealership profitability.

In the short-term, more knowledgeable consumers can be more efficient to serve, which can help increase profitability. But knowledge is power, and with Canadian shoppers gaining ever more—including knowing exactly what to pay for a vehicle —margin pressure is a true reality.

-10%

change in % of dealers who agree that more knowledgeable consumers are of benefit to the business.

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More dealers are starting to question the benefits of increasingly knowledgeable consumers.

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Dealers aren't as positive about the future as they used to be.

WHAT THE NUMBERS ARE SAYING

Digital is no longer a no brainer.

Investment in digital advertising remains strong, but there are signs that scrutiny is being placed on this channel—with some dealers even pulling back. This includes the usage of mobile advertising, which has declined by -15% (to 67%) since 2017, with another drop of -9% amongst dealers that plan to decrease their overall spend on digital within the next few years (to 74%). Similarly, the percentage of dealers who are planning to reduce their spend on traditional advertising has also decreased by -9% since 2017.

A key driver for this digital shift may be the precipitous fall of Twitter—which now only 25% of dealers use, down from almost 50% the year before.

72%

of dealers believe increased mobile usage will have a positive impact on their business in the next 2-3 years.

56%

of dealers plan to spend more on mobile advertising within the following year.

74%

of dealers plan to spend more on digital advertising than they do today in two years.
(-9% vs. 2017)

The fall of Twitter and the impact on mobile advertising.

Twitter was a digital platform dealers were told they needed to invest in or they'd be "left behind." But it hasn't quite worked out that way. So, it would make sense if dealers are increasingly reserved about investing in emerging media right now, particularly given overall economic concerns.

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Dealers are abandoning twitter - and it appears some believe they jumped into mobile advertising too soon.

REGIONAL INSIGHT

78% of ontarians indicated that they would not likely use social media as part of their search for a vehicle to purchase or lease.

Percentage of dealers currently using mobile advertising.

The bottom line.

Top takeaways for dealers:

1. Embrace the knowledgable consumer. Do a website content audit to ensure all vehicle information is clear, accessible, and communicates the information consumers are looking for.

2. Ensure your online properties are optimized across all devices and consider the role of mobile in your communications toolkit.

3. Review your social media strategy and use data to evaluate which platforms and vendors may offer the highest rate of return.

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MULTI-CHANNEL OPPORTUNITIES

REGIONAL INSIGHT

Meeting the dealership sales and service team in person is more important to Quebec consumers.

So, what is it that consumers want?

The #1 factor influencing consumer selection is the sales or promotions being offered by the dealership. That being said, having quality vehicle information online is also crucial for success as more and more consumers are researching their potential purchases and forming opinions before they enter the dealership.

Yes, ratings and reviews matter.

One of the biggest perceptual shifts for dealers over the last few years has been recognizing the importance of online ratings and reviews. Their influence on consumer behaviour is now almost equal to personal recommendations from friends and family.

Having a number of quality, detailed reviews help win trust—and no, they don't need to be all 5-star ratings. Our research shows that a rating of 4.4 backed by a sufficient volume of recent, detailed reviews is considerably more effective than a dealership with a 5-star rating with fewer, less detailed reviews.

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Sales and promotions are the #1 factor influencing consumers.

What consumers value most when choosing a dealership:

1.

Sales, promotions and/or deals.

2.

Past dealership experience.

3.

Transparent pricing online.

4.

Quality of vehicle information online.

5.

Online ratings & reviews of the dealership.

The online vs. offline balancing act.

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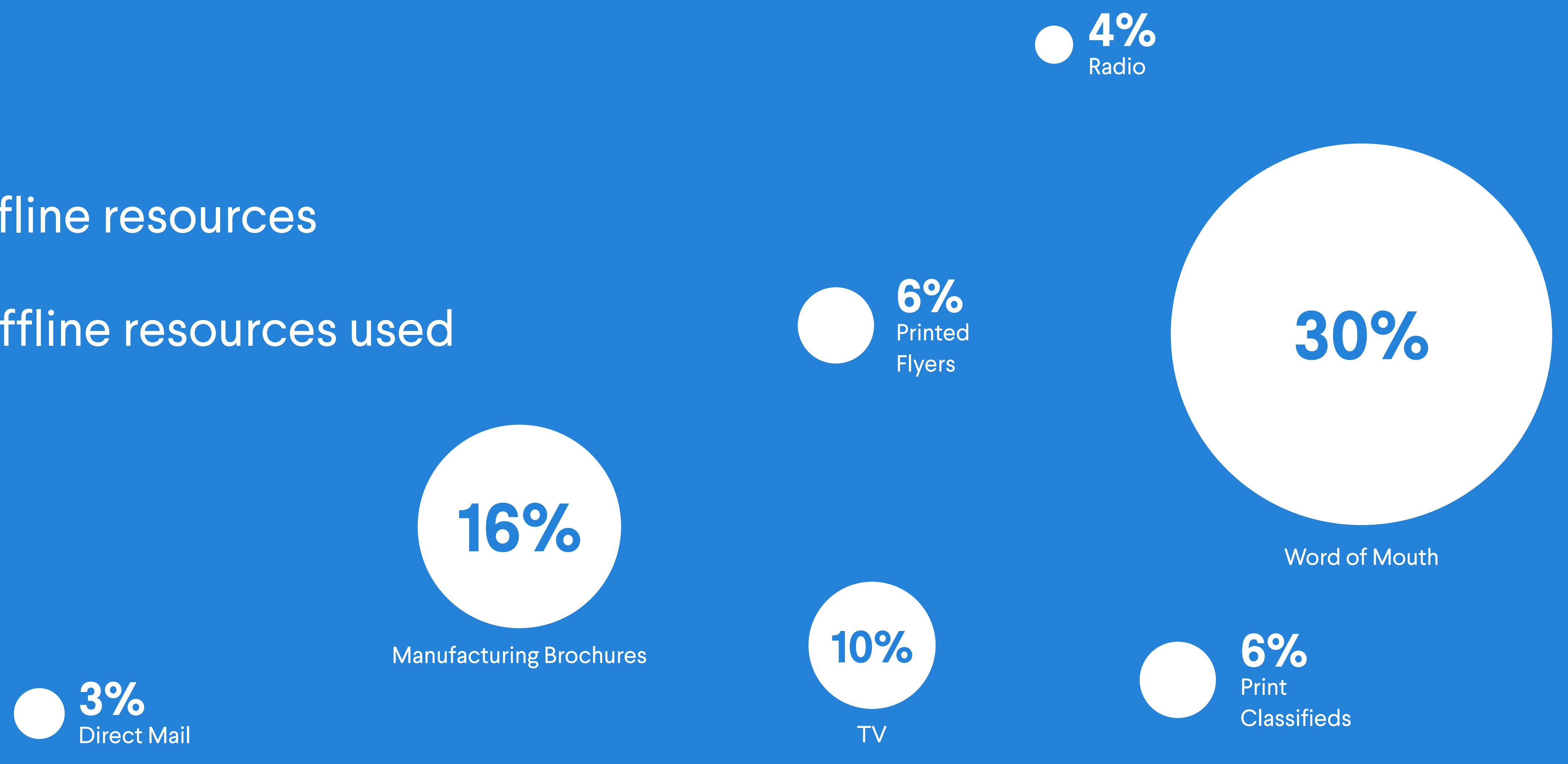
*Dealership websites remain **the** source for consumers.*

Offline

53% Use any offline resources

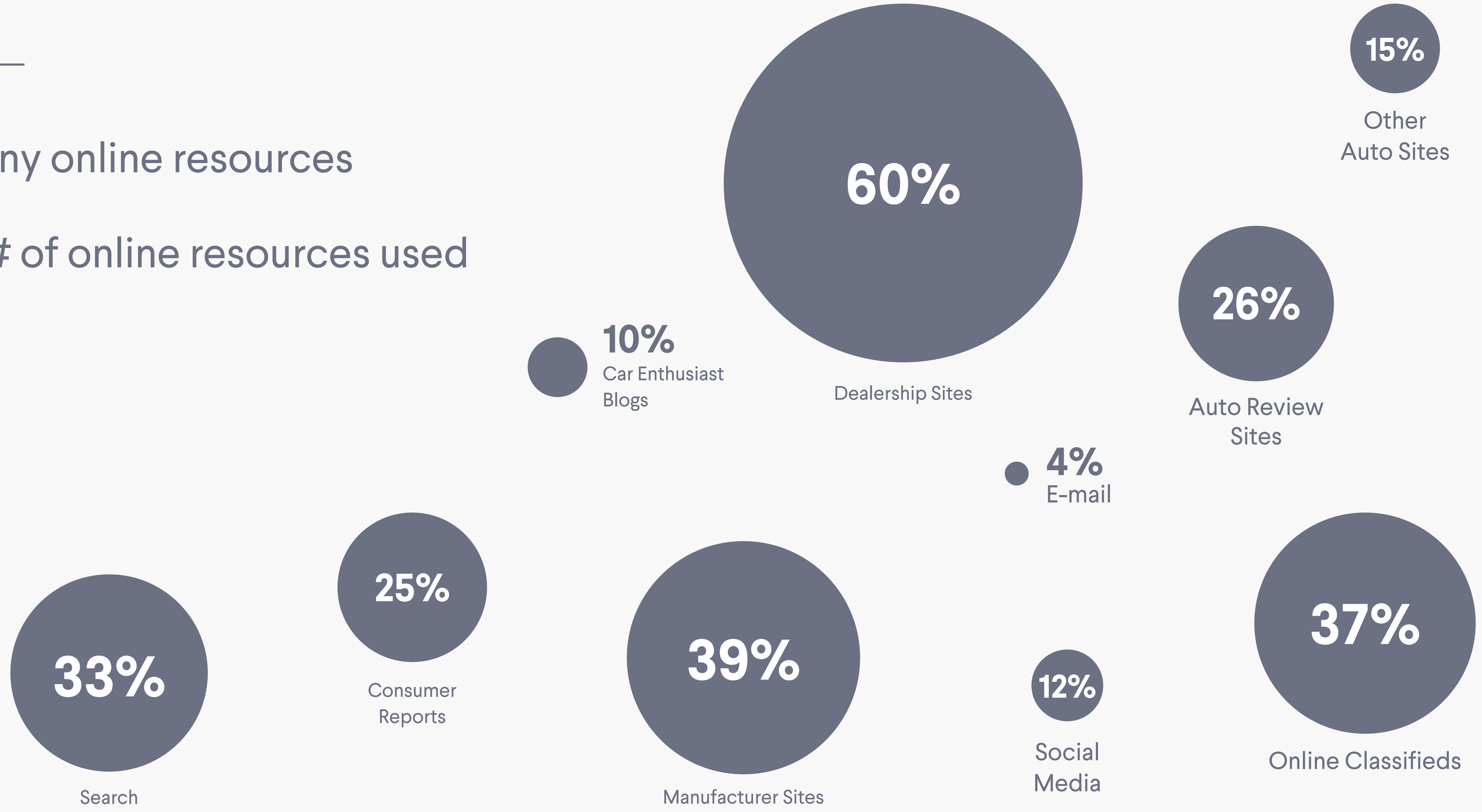
0.75 Avg. # of offline resources used



Online

88% Use any online resources

2.77 Avg. # of online resources used



84%

of consumers spend more than half their time researching online.

49%

of dealers allocate over half their budget to digital/online.

(-6% vs. 2017)

REGIONAL INSIGHT

Car shoppers in atlantic canada are leading the pack in website usage, with 76% of respondents saying they used dealership sites during their research.

Where consumers are spending their time, isn't always where dealers are spending their advertising dollars.

When searching for a new vehicle, dealership websites are still the go-to resource for consumers, with over 60% of consumers having visited one. Manufacturer websites are next at 39%, followed by online classifieds at 37%. In contrast, social media is only at 12%, well behind search, auto review sites, and consumer reports. Only half the market uses offline resources, and this is mostly word-of-mouth.

What makes these numbers interesting is that when dealers are asked where they get the highest ROI, dealership websites are listed behind social media. However, 5x as many consumers actually visit dealer websites rather than using social media when searching for information and selecting a dealership. This discrepancy might exist because it's often easier to track ROI metrics for social media and more difficult to attribute conversion rates from a dealership website to an in-person visit.

First impressions start online, but customer service seals the deal.

The test drive is the absolute focal point of the dealership experience, without question. But what attracts consumers—and ultimately creates loyalty—is everything that surrounds it. Canadian consumers want a hospitable atmosphere within a dealership that is staffed with honest, respectful product experts that listen and genuinely care about their needs. This is an area that dealers have long been delivering on, prioritizing soft skills over vehicle sales experience when hiring new staff.

Millennials may be the future, but Boomers are the now of auto sales.

How to prepare for and serve the needs of younger consumers is a natural focal point for many dealerships. But it's important not to lose focus on other segments of consumers, especially the Boomer generation.

Younger generations are largely cash-strapped and searching for more affordable options when considering to purchase their next vehicle. In contrast, Boomers are 3x more likely to be buying just because they want to and are 10% more likely to refer dealers to others, come back for after-sales service, and return for their next purchase. They simply have a greater freedom to spend for want vs. need. Ensuring Boomers are well-served now will help generate the funds to adapt for the future.

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Boomers will be the most profitable consumer group for some time to come.

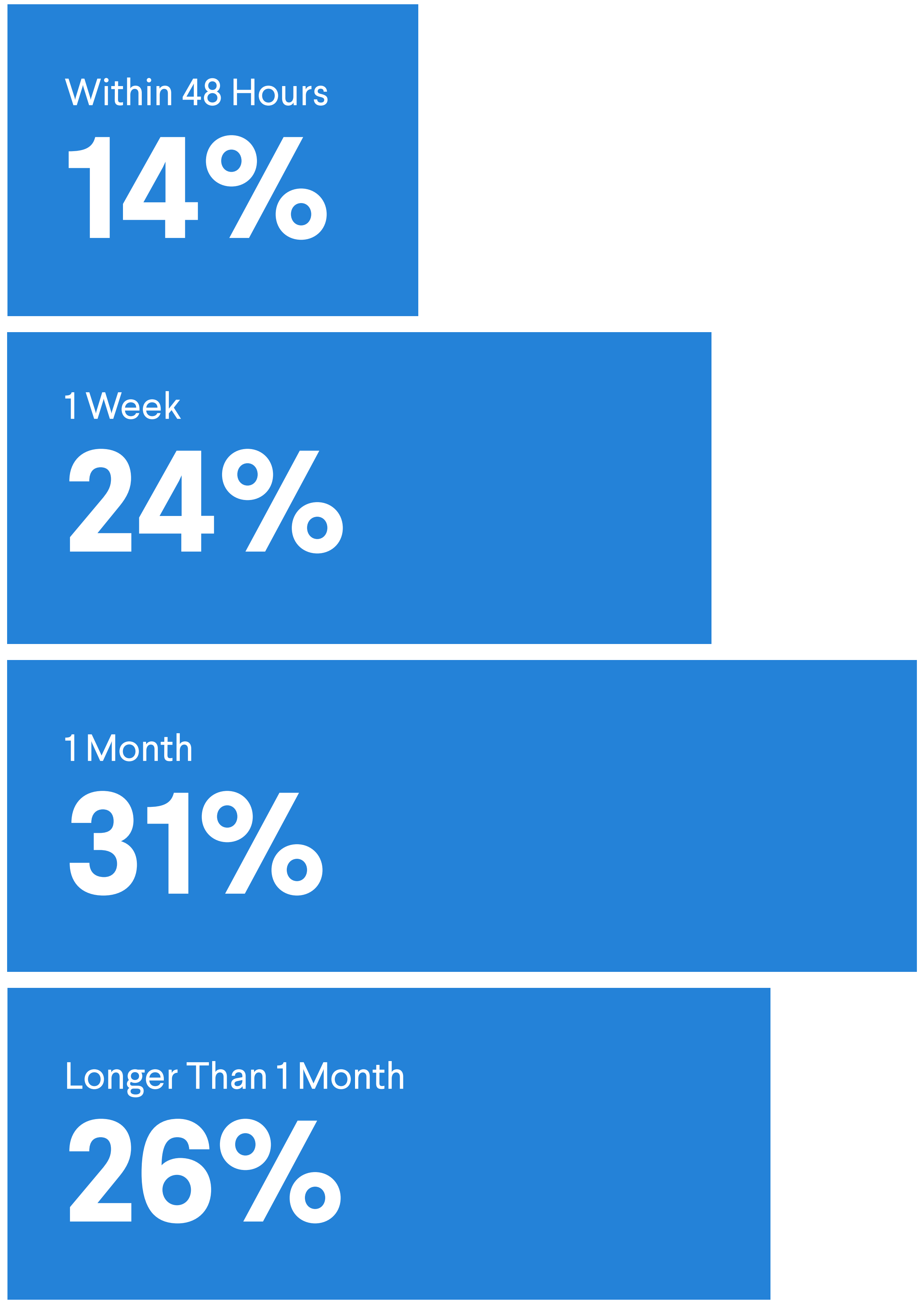
3x

Boomers are 3x as likely as Millennials to buy for WANT vs. NEED.

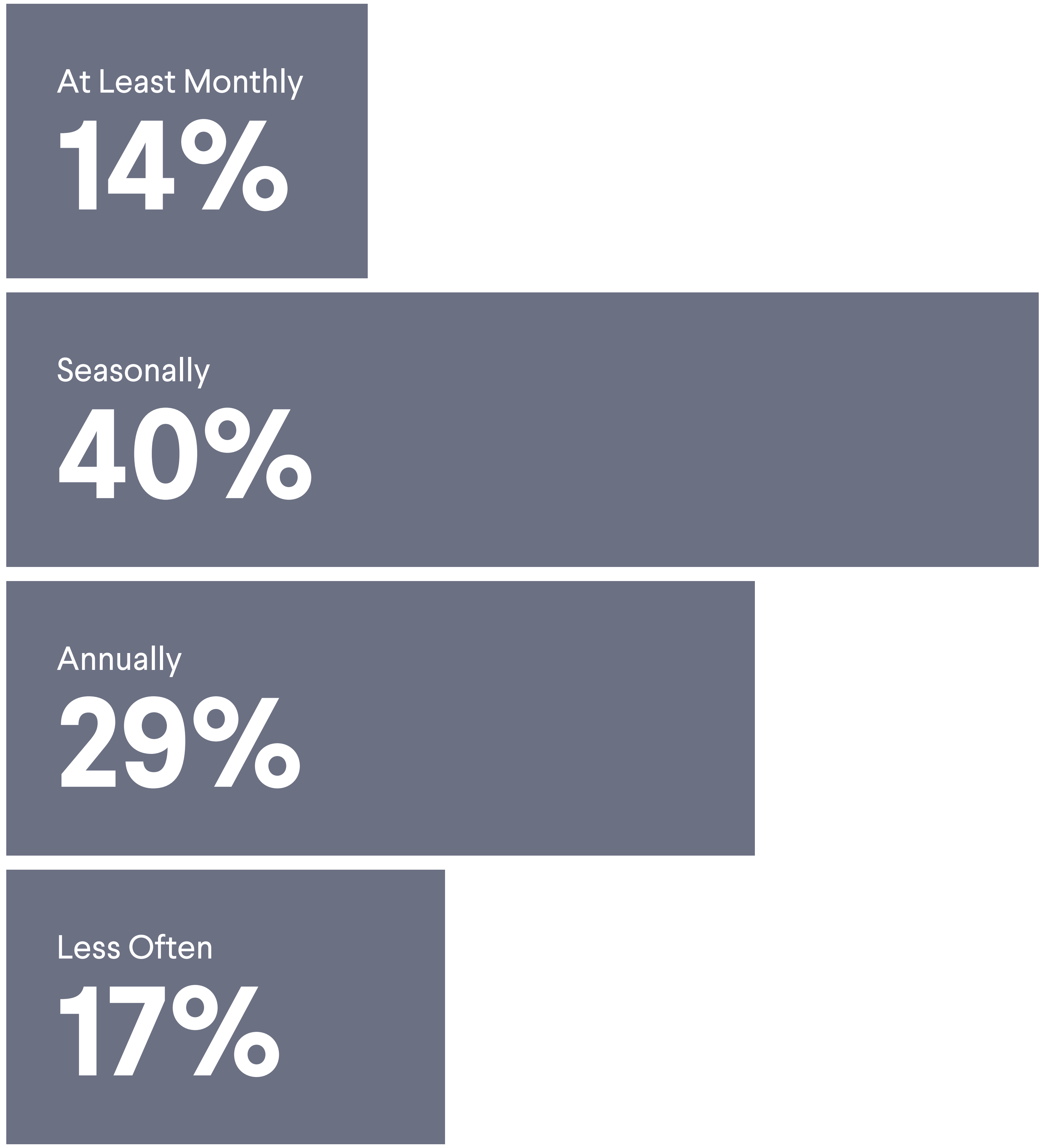
10%

They're also 10% more likely than Millennials to recommend a dealership, return for after-sales-service, and return for their next vehicle purchase.

When customers want their dealership to contact them after a vehicle purchase



How often customers want their dealership to contact them after a vehicle purchase



Post-purchase strategies require segmentation.

Some people require constant communication. Others prefer to be left alone. Most fall somewhere between these two extremes. For example, nearly 1/2 of buyers want their first dealership contact to be within a week of purchase, while over 1/4 prefer it be longer than a month. The same goes for frequency of communication. 40% prefer seasonal communications, 45% prefer annual or less, and about 15% prefer monthly.

Given the variance, there's no single frequency of communication that can please everyone. The best approach is to capture a desired frequency of communication at the time of purchase, and then segment your buyers accordingly.

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If you don't segment buyers by their preferred follow-up frequency, you risk alienating them.

The bottom line.

Top takeaways for dealers:

1. Make website updates the top digital priority for your team each day, before focusing on content for other digital channels (starting with online classifieds).
2. Segment your customer base and customize your post-purchase communications accordingly. Remember to differentiate high-touch customers from low-touch and Boomers from Millenials.
3. Pay attention to online ratings and reviews about your dealership. Look at ways of improving your offering by focusing on the feedback details, rather than just the star rating.
4. Ensure your website conveys the type of dealership experience consumers want. Strive to make your content feel hospitable, rather than pushy.

Executive summary.

As consumer behaviour evolves, the role of auto dealers continues to change.

While test drives are still a vital part of the purchasing process, customers can now research and finance a car without ever stepping foot in a dealership. To stay competitive, dealers can get ahead of digital disrupters by better connecting with buyers throughout the entire car shopping journey.

Canadian consumers want a seamless, transparent shopping experience tailored to their needs. No pressure. No haggling. Dealers that invest in understanding and meeting these needs today can better navigate the ever-evolving road ahead.

Dealer checklist.

Every dealership is different. But here are some questions you can ask to help ensure that your dealership is in the best position to succeed within the continually evolving Canadian car shopping journey.

1. Does your distribution of advertising spend between traditional and digital channels align with where consumers are spending their time?

2. Do your processes ensure that having quality, accurate information on your website is the main digital priority for your team?

3. Does every touchpoint—including online—convey the hospitable dealership atmosphere potential buyers are looking for?

4. Do you consistently and transparently communicate the total price of the vehicles you are selling?

5. Does your staff approach and treat Boomers differently than Millennials and identify those driven by wants rather than needs?

6. Do you segment your buyers based on their preferred contact frequency and then deliver on what they want?

We want to hear from you.

The team at Kijiji would like to thank the hundreds of dealers across Canada who contributed to this year's report.

Got insights?

Let us know if you'd like to participate in our next survey at b2bmarketing@kijiji.ca.

Got questions?

Send any inquiries, suggestions or success stories to kijijiautos@kijiji.ca.

About this study.

In early 2019, we surveyed 2,000 car shoppers from across Canada in the second iteration of the Kijiji Autos Consumer Insights study. The data collected was then weighted to be nationally representative.

Here's a participant breakdown:

Past purchasers

Purchased/leased a vehicle in the past 12 months

1,008

71% New

29% Used

Future purchasers

Intend to purchase/lease a vehicle in the next 6 months

992

50% Men

50% Women

30% Western Canada

35% Ontario

25% Quebec

10% Atlantic Canada

At the end of 2018, 251 automotive dealers across Canada were surveyed in the annual Kijiji Dealer Pulse survey.

Here's a participant breakdown:

Dealers

Senior decision makers at new & used dealerships

55	Auto Group
59	Franchise
132	Independent
149	New & Used
101	Used Only
1	New Only
86	Western Canada
85	Ontario
55	Quebec
25	Atlantic Canada